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**CLAREPINE OIL and GAS LTD.**

*Second Annual Report*





# *Clarepine Oil and Gas Ltd.*

EDMONTON, ALBERTA

## **Board of Directors**

R. A. McAlpine—Edmonton, Alberta

C. P. Stumborg—Edmonton, Alberta

J. J. Stumborg—Edmonton, Alberta

## **Officers**

R. A. McAlpine, P.Eng.—President

C. P. Stumborg—Vice-President

J. J. Stumborg—Secretary-Treasurer

## **Transfer Agent**

North West Trust Co.

10166 - 100th Street

Edmonton, Alberta

## **Solicitors**

Milner, Steer, Dyde, Massie, Layton, Cregon & Macdonnell

9th Floor Milner Building

Edmonton, Alberta

## **Auditor**

R. I. Smith, Chartered Accountant

560 One Thornton Court

Edmonton, Alberta

## **Consulting Engineers**

D. L. Flock Consulting Engineers Limited

11933 - 106th Avenue

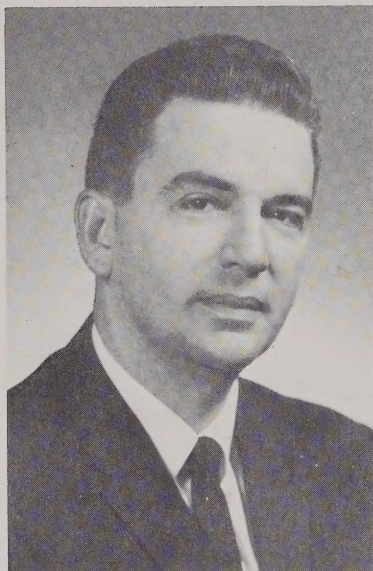
Edmonton, Alberta

## **Head Office**

550 One Thornton Court

Edmonton, Alberta





## PRESIDENT'S REPORT *to the* SHAREHOLDERS

**FINANCIAL:** Management is pleased to present the company's financial statement which shows a working capital position that has improved considerably since the 1964 year-end. Cash resources will permit an active year in line with company policy of concentrating on the acquisition and development of proven reserves. In addition to specific interests covered in this report, management is now evaluating several additional proposals of merit. By continued stringent control of operating and overhead expenses, company resources will readily support several such undertakings.

**OIL PRODUCTION:** Net revenue from oil sales in 1965 increased by 73.7% over 1964 revenues. A good portion of this increase came in the last half of 1965. This was a direct result of our purchase of the assets of Elk Oils Ltd. Two wells were drilled on this property and went into production in November. The first oil sales from this development were made in December when our gross income for the month reached a high of \$3,222.60. An additional \$1,080.00 was earned from bank treasury notes and secured loans. Projecting our income for the month of December through 1966 indicates an annual gross revenue of approximately \$50,000.00, for an increase of approximately 156% over the previous year. See Graphs 1 and 2.

**RESERVES:** In 1964 the company's oil reserves were all located in the Pembina area. In 1965 our interests were expanded to Lloydminster and other areas. D. L. Flock, Consulting Engineers Ltd. estimate our reserves as follows:

Total Proven Primary .....	352,210 barrels
Total Proven Secondary .....	4,954,638 barrels
Total Proven .....	5,306,848 barrels
Total Prospective Primary .....	757,153 barrels
Total Prospective Secondary .....	5,317,209 barrels
Total Prospective .....	6,074,362 barrels

Proven secondary reserves with the exception of the Pembina area, are based upon the expected additional recovery by steam flood to the time of cold-water break-through. D. L. Flock Consulting Engineers Ltd. believe that in view of improved completion techniques and the successful application of steam to date, that this classification is justified.

Our steam stimulation work this past summer has confirmed many of our thoughts regarding the successful application of steam. Husky Oil of Canada is continuing with its full scale steam flood in the McLaren field. We are pleased that our McLaren parcel will be a part of this unit. As technology improves, greater and greater percentages of the oil in place will be recovered. As many engineers have previously stated, one of the best places to seek greater oil reserves is in an area where you know the oil is present.

**EXPLORATION AND  
DEVELOPMENT:**

The Alberta Oil and Gas Conservation Board has granted permission to proceed with pressure maintenance of our Pembina properties. Two injection wells will be drilled on this property soon.

A six-well development program is being initiated for our Staplehurst property in the Lloydminster area. This program will be carried out on a well-to-well basis. However, management is very optimistic since last summer's drilling showed a well-developed General Petroleum sand in this area.

In 1966, your management will concentrate on the stringent economic development of proven and semi-proven properties, and at the same time, continue to accumulate potential acreage. Emphasis will continue to be placed on the expansion of assets and reserves with minimum common share equity dilution.

Respectfully submitted on behalf of the Board of Directors.

*R. A. McAlpine, P.Eng.*  
President and General Manager



# Clarepine Oil

## BALANCE SHEET

AS AT NOVEMBER 30, 1965

### ASSETS

#### Current Assets

Cash in bank .....	\$ 2,028.79	
Term deposit receipts .....	100,000.00	
Accounts receivable .....	4,989.01	
Loan receivable—Note 1 .....	80,000.00	\$187,017.80

Investment in Shares—at cost—Note 2 .....		2,000.00
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#### Fixed Assets

Leases—producing .....	28,546.98	
Intangible development costs .....	84,176.28	
Production equipment .....	49,595.53	
Furniture and fixtures .....	498.00	
	162,816.79	
Deduct: Accumulated depletion, amortization and depreciation .....	10,942.72	
	151,874.07	
Non-producing lease cost .....	22,085.80	
Performance deposit .....	3,000.00	176,959.87

Incorporation Expenses .....		2,247.90
		<u>\$368,225.57</u>

Approved on behalf of the Board:

R. A. McALPINE, Director

J. J. STUMBORG, Director

### NOTES TO THE BALANCE SHEET

**Note 1:** This loan is payable on demand and is secured by a clear title on approximately 186 acres of land.

**Note 2:** The Company owns 4,000 shares in Timberline Mines Ltd. The shares have no market value.

**Note 3:** On August 20th, 1965, by special resolution of the shareholders, the authorized capital of the Company was increased from 1,000,000 shares without nominal or par value to 10,000,000 shares without nominal or par value which may be issued for a consideration not to exceed in the aggregate \$5,000,000.00; and that the 500,000 issued and paid-up shares of the Company be converted into 2,000,000 paid-up shares without nominal or par value. As at November 30th, 1964, 695,600 (new shares equivalent) were issued for cash consideration of \$83,900.00. During the fiscal year ended November 30th, 1965, 1,304,400 (new shares equivalent) were issued for cash consideration of \$326,100.00.

and Gas Ltd.

SHEET

BER 30th, 1965

Exhibit A

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities

Accounts payable .....	\$ 10,851.19	
Amount of long-term debt due within one year .....	<u>8,400.00</u>	\$ 19,251.19

Long-Term Debt

Bank production loan .....	32,200.00	
Deduct: Amounts due within one year .....	<u>8,400.00</u>	23,800.00

Share Capital—Note 3

Authorized 10,000,000 common shares without nominal or par value		
Issued for cash—2,000,000 common shares .....	410,000.00	
Deduct: Commission on sale of shares .....	<u>57,000.00</u>	353,000.00

Deficit

Deficit—Exhibit B .....		( 27,825.62)
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\$368,225.57

AUDITORS' REPORT

To the Shareholders,  
Clarepine Oil and Gas Ltd.,  
Edmonton, Alberta.

I have examined the Balance Sheet of Clarepine Oil and Gas Ltd. as at November 30th, 1965 and the Statement of Operations and Deficit for the year ended on that date, and have obtained all the information and explanations required. My examination included a general review of the accounting procedures and such other tests of accounting records and other supporting evidence as I considered necessary in the circumstances.

In my opinion, subject to Notes to the Balance Sheet which form an integral part thereof, the accompanying Balance Sheet and Statement of Operations and Deficit present fairly the financial position of the Company as at November 30th, 1965 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Edmonton, Alberta  
January 3rd, 1966

R. I. SMITH  
Chartered Accountant



# *Clarepine Oil and Gas Ltd.*

## STATEMENT OF OPERATIONS

For the year ended November 30th, 1965

### Revenue

Oil sales—net .....		19,423.66
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### Operating Expenses

Administration fees .....	528.01	
Dry hole costs .....	2,964.54	
Fuel and power .....	736.07	
Hauling and trucking .....	2,523.04	
Lease rentals .....	1,215.45	
Lease and road maintenance .....	242.94	
Maintenance and repairs .....	314.66	
Royalties .....	1,037.65	
Salaries and wages .....	664.69	
Supplies and tools .....	167.13	
Taxes and insurance .....	454.24	
		10,848.42
		8,575.24

### General and Administrative

Audit and legal .....	1,279.60	
Bank charges and interest .....	1,338.22	
Engineering .....	3,844.35	
Fees and registrations .....	1,062.61	
Insurance .....	212.50	
Printing and stationery .....	1,203.47	
Rent and business taxes .....	1,871.68	
Salaries .....	10,099.24	
Stock issue expenses .....	821.61	
Telephone .....	617.53	
Travel and promotion .....	2,125.97	
		24,476.78

Net loss before depletion, amortization  
and depreciation .....

15,901.54

Add: Provision for—depletion .....	1,200.05	
—amortization .....	3,725.49	
—depreciation .....	2,697.65	
		7,623.19

Net operating loss .....

23,524.73

Deduct: Investment income .....

3,474.24

Net loss for the year .....

20,050.49

Deficit: November 30th, 1964 .....

7,775.13

Deficit: November 30th, 1965 .....

\$27,825.62



